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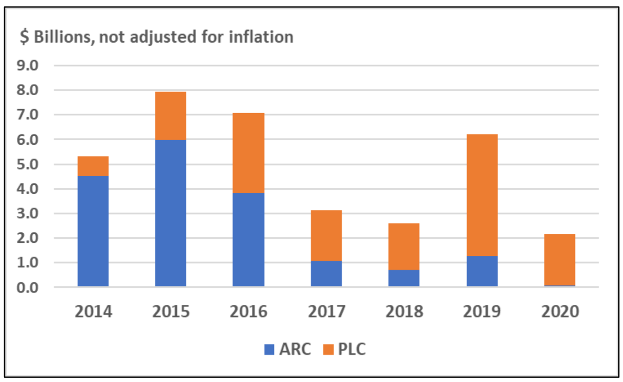
Farm Bill Primer: PLC and ARC Farm Support Programs

The Agriculture Improvement Act of 2018 (2018 farm bill, P.L. 115-334) reauthorized the Price Loss Coverage (PLC) and the Agriculture Risk Coverage (ARC) programs for crop years 2019-2023. These programs were created by the Agricultural Act of 2014 (2014 farm bill, P.L. 113-79). The PLC and ARC programs provide income support to producers of certain eligible commodities (**Table 1**). The amount of support varies by commodity and from year-to-year based on program enrollments and market conditions (**Figure 1** and **Figure 2**).

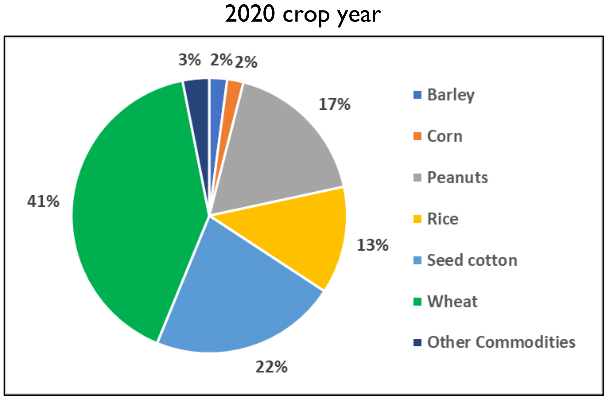
Figure 1. Total PLC and ARC Payments by Crop Year



Source: CRS using USDA Farm Service Agency (FSA) program data. Data for 2014-2018 as of March 12, 2020. Data for 2019 as of January 21, 2021. Data for 2020 as of December 22, 2021.

Figure 2. PLC and ARC Payments by Commodity

2020 crop year



Source: CRS using USDA FSA program data, updated as of December 22, 2021. Total payments for all commodities equaled $2.158 billion.

The PLC and ARC programs receive mandatory appropriations of "such sums as necessary," and are funded through the Commodity Credit Corporation (CCC). The programs do not charge any participation fees. Producers must meet eligibility requirements to participate and are subject to annual payment limits. PLC coverage cannot be combined with ARC coverage for the same commodity.

Price Loss Coverage

PLC payments augment farm revenues during periods of low market prices. The PLC program makes payments when the national average market price of an eligible commodity falls below an effective reference price. The effective reference price adjusts annually based on historical market conditions, and is limited by statute to be between 100% and 115% of the statutory reference price (**Table 1**). Payments are proportional to an individual producer's base acres and payment yields.

Table 1. PLC Statutory Reference Prices and 2020-2021 Average Market Prices

Commodity	Unit	PLC Statutory Reference Price	2020-2021 Average Market Year Price
Corn	bu.	$3.70	$4.53
Soybeans	bu.	$8.40	$10.80
Wheat	bu.	$5.50	$5.05
Sorghum	bu.	$3.95	$5.04
Barley	bu.	$4.95	$4.75
Oats	bu.	$2.40	$2.77
Peanuts	cwt.	$26.75	$21.00
Rice[a]	cwt.	$14.00	Various
Dry peas	cwt.	$11.00	$9.84
Lentils	cwt.	$19.97	$18.20
Chickpeas, large	cwt.	$21.54	$23.30
Chickpeas, small	cwt.	$19.04	$20.20
Seed cotton	cwt.	$36.70	$33.93
Other minor oilseeds[b]	cwt.	$20.15	Various

Source: CRS using 7 U.S.C. §9011(19) and USDA FSA Market Year Average Prices, Table 1, updated February 9, 2022.

Notes: bu. = bushel; cwt. = hundredweight.

a. Rice includes long grain, medium grain, short grain, and temperate japonica varieties.

b. Other minor oilseeds include canola, crambe, flaxseed, mustard seed, rapeseed, safflower, sesame seed, and sunflower seed.

Agricultural Risk Coverage

ARC payments augment farm revenues during periods of declining crop revenues. There are two types of ARC program coverage: county-level coverage (ARC-CO) and individual-level coverage (ARC-IC). ARC-CO makes payments to farmers when county-level revenue falls below a guaranteed level that adjusts annually based on historical county revenues. ARC-IC makes payments to farmers when farm-level revenues fall below guaranteed levels that adjust annually based on historical farm revenues. The per-acre payment rate is capped at 10% of the guaranteed level. Payments are proportional to base acres enrolled.

Base Acres and Payment Yields

Base acres and payment yields are units of production allocated to eligible farms in accordance with 7 U.S.C. §9011. Originally, farms received base acres and payment yields in proportion to their historical average plantings and yields of eligible crops from as far back as the 1980s. Various farm bills have given farmers the opportunity to update their base acres and payment yields over time.

Providing PLC and ARC payments per base acre and payment yield—as opposed to per planted acre or per harvested quantity—decouples payments from annual production, which has been a goal of agricultural policy since the 1990s and helps fulfill U.S. commitments under the World Trade Organization's Agreement on Agriculture.

2018 Farm Bill Changes to the Programs

The 2018 farm bill retained the PLC reference prices from the 2014 farm bill, but introduced the effective reference price to allow the trigger for program payments to adjust upwards under certain market conditions. Under the 2014 farm bill, the trigger for program payments was fixed at the statutory reference price.

The 2018 farm bill retained most features of ARC from the 2014 farm bill, but directed USDA to prioritize use of data from the federal crop insurance program for calculating county yields where available. Under the 2014 farm bill, USDA prioritized the use of data from the National Agricultural Statistics Service where available.

The 2018 farm bill made certain changes that apply to both programs, including allowing producers to update certain base acre holdings and payment yields, and allowing producers to change crop enrollments annually between PLC and ARC. Under the 2014 farm bill, farmers had to maintain the same program enrollments for the 2014-2018 crop years.

The 2018 farm bill included seed cotton as eligible for PLC and ARC program payments, which was previously authorized by the Bipartisan Budget Act of 2018 (P.L. 115-123). The 2014 farm bill excluded all types of cotton from PLC and ARC program eligibility in response to a WTO dispute settlement case brought by Brazil. However, cotton producers were eligible to receive PLC and ARC payments for other eligible commodities.

Issues for Congress

Historically, Congress has considered the distribution of support payments across eligible commodities when writing a farm bill. Different regions tend to produce different mixes of commodities, which raises the potential for geographic disparities in support payments. Also, certain commodities were more likely to receive PLC payments than other commodities given the market prices that prevailed in 2018 and the payment triggers specified in statute. Congress may consider reassessing the PLC payment triggers in relation to recent commodity prices and goals for commodity coverage.

ARC and PLC payments are delivered to farmers at least one year after farmers harvest the crop due to technical requirements for calculating average prices over the crop marketing year. The delay in payments may reduce the usefulness of the payments in addressing farmers' cashflow needs during low-price years. The delay in payments may also lower the farm bill's budget score by shifting one year of payments outside of the 10-year scoring window.

The PLC and ARC programs limit (1) the maximum payments that an individual person or legal entity can receive per year and (2) the maximum income that an individual can earn and still remain eligible for program benefits. The programs also have a separate limit for peanut payments. Some policymakers want to tighten limits to lower program costs, to respond to concerns about payments to large farms, and to reduce potential incentives to expand large farms at the expense of small farms. Others say larger farms should not be penalized for the economies of size and efficiencies they have achieved.

Since the enactment of the 2018 farm bill, USDA created additional farm support programs using funds appropriated by Congress and CCC funds to respond to retaliatory tariffs imposed by some major trading partners in 2018 and 2019, and the outbreak of the COVID-19 pandemic in 2020. These programs provided price and revenue support for the commodities eligible for PLC and ARC, and at higher levels than PLC and ARC combined. Congress could consider whether to modify the PLC and ARC programs to reduce the need for future supplemental commodity support taking into account that any expansion in these programs under the existing farm bill baseline may require funding reductions for other farm bill priorities.

For addition background, see the following CRS reports:

- CRS Report R45730, *Farm Commodity Provisions in the 2018 Farm Bill (P.L. 115-334)*
- CRS Report R46248, *U.S. Farm Programs: Eligibility and Payment Limits*
- CRS Report R45143, *Seed Cotton as a Farm Program Crop: In Brief*
- CRS Report R46577, *U.S. Farm Support: Outlook for Compliance with WTO Commitments, 2018 to 2020*
- CRS In Focus IF11289, *Farm Policy: Comparison of 2018 and 2019 MFP Programs*
- CRS In Focus IF11764, *U.S. Agricultural Aid in Response to COVID-19*

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